



HOUSE OF REPRESENTATIVES

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SPEAKER

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MEMORANDUM

To: Members of the House of Representatives

From: Charlie DeWitt, Speaker

Date: July 5, 2001

Re: SCOFA

The attached report summarizes actions taken during the past session which implement the findings of the Select Committee on Fiscal Affairs (SCOFA). When I appointed this special committee last August, the goal was to identify options for change in our fiscal policies that would be effective and, also, could actually have a reasonable expectation of being implemented. Considerable effort by the members of the committee and the staff, as well as assistance from several state agencies, was required to conduct the research and hold the numerous hearings necessary to carry out this charge. As you can see from this report, the work of the SCOFA committee has resulted in, or contributed to, many important changes in the law, the budget, and administrative policies that will have a positive effect on the state's fiscal situation and will benefit its citizens.

On behalf of the entire House of Representatives, I want to thank the members of the committee and its chairman, Jerry LeBlanc, for their hard work in fulfilling the responsibilities of this committee and congratulate them for the success of this effort.

COMMITTEE ON FISCAL AFFAIRS

Implementation of SCOFA Findings

The House Select Committee on Fiscal Affairs (SCOFA) was appointed by Speaker DeWitt in August 2000 and charged with finding productive and achievable options to effect efficiencies in state spending and improve revenue collections. The committee worked throughout the interim, holding meetings, receiving testimony and conducting research. A final report was issued on March 23, 2001 which contained findings and options for change in many areas of state fiscal policy. Many of the proposed options required statutory changes, some could be implemented through agency administrative action, and others could be accomplished through the appropriations process. In certain areas, further study was recommended.

In the 2001 Regular Session, a package of thirty legislative instruments was introduced specifically to address SCOFA findings. Other SCOFA findings were covered by legislation introduced separately by individual authors in the House and Senate, including numerous criminal justice and health issues, and did not require introduction of specific separate SCOFA bills. Of the 30 introduced SCOFA instruments, 18 were passed by the legislature and seven were either incorporated into other legislation or implemented administratively by state agencies. Some SCOFA findings were implemented through the General Appropriations Bill or through administrative changes by state agencies.

The following is a summary by subject matter area of actions taken which implemented SCOFA findings.

ELECTIONS/STATE

SCOFA Finding: SCOFA determined, as have other studies in the past, that the Departments of Elections and State should be merged.

House Bill No. 18 by Bruneau implements this merger effective January 2004 with the beginning of a new term of office.

CORRECTIONS

SCOFA Findings: The committee determined that mandated sentencing guidelines reduce judicial discretion in sentencing offenders to alternative community intervention and supervision programs which are more cost efficient and help in reducing recidivism. These findings and the work of other legislative committees were instrumental in building a consensus to change sentencing requirements and promote alternatives to incarceration.

Enhanced funding of \$7.8 million was provided for drug courts. It is projected that 150 offenders will be diverted from incarceration in a secure facility to a drug court program.

Of total savings of \$1.2 million, \$300,000 was used for an additional 5 probation and parole officers, resulting in a net savings of \$900,000.

HB 665 by Odinet substitutes inpatient substance abuse treatment and home incarceration in lieu of imprisonment for 3rd and subsequent DWI offenders and requires imprisonment if the offender fails to complete substance abuse treatment or violates a condition of home incarceration. Of total savings of \$4.3 million based on diverting 535 offenders to home incarceration, \$586,000 was used to fund electronic monitoring and \$2.2 million was used to provide substance abuse treatment services, resulting in a net savings of \$1.5 million.

SB 239 by C.D. Jones repeals minimum mandatory sentences, reduces the length of sentences, and allows for probation and parole for certain offenses. A Risk Review Panel will assess certain incarcerated offenders and make recommendations to the Probation and Parole Boards for clemency or parole. It is projected that 1,247 offenders will be diverted or released from secure facilities as a result of this bill. Of total savings of \$5.0 million, \$2.5 million was used to provide an additional 57 probation and parole officers as well as costs related to the Risk Review Panel, resulting in net savings of \$2.5 million.

SB 1011 by Lentini establishes a pilot program of home incarceration for non-violent first offenders using electronic monitoring. Of a total savings of \$4.9 million based on diverting 610 offenders to home incarceration, \$668,000 was used to fund an additional 18 probation and parole officers as well as electronic monitoring of these offenders, resulting in a net savings of \$4.3 million.

SCOFA Finding: Correctional education programs help inmates break the cycle of criminal activity by providing the knowledge and skills necessary to succeed. A national study linked prison-based education programs to dramatically reduced recidivism rates and found such programs to be among the most effective of all crime prevention tools.

\$5 million in federal TANF (Temporary Assistance to Needy Families) funds was allocated to expand prison-based educational and rehabilitation programs as follows:

- \$1.4 million for the *Job Skills Education Program (JSEP)* to expand the rehabilitation program at four adult institutions (Phelps, Angola, WTF North, and Wade). The program consists of educational, vocational, and aftercare treatment components to prepare inmates for upcoming release and provide supervision and monitoring for 12 months following release.
- \$400,000 for *Project Metamorphosis* to continue this program that includes life skills, employability/work maturity skills, literacy, vocational training, job or school placement and follow-up.
- \$200,000 for the *Concordia Parish Correctional Facility Life Skills/Pre-Release Program* which attempts to improve emotional and anger control, stress management, problem-solving, and communications to help in avoiding anti-social activities.
- \$3.0 million for *Project Return* an aftercare program which provides transitional services to assist former offenders reintegrate into the community.

SCOFA Finding: Recidivism rates for the Intensive Motivational Program for Alternative Correctional Treatment (IMPACT) Program participants have been consistently lower than non-participants. This intensive incarceration program at Elayn Hunt Correctional Center is a rigorous multi-faceted program emphasizing discipline, education and rehabilitative therapeutic programs in substance abuse and values re-orientation and has a current capacity of 200.

HB 1039 by LeBlanc, et al. on behalf of SCOFA allows for an increase in the number of eligible participants in the IMPACT program by deleting the restriction on eligibility to those who have never served time in a state prison. A funding increase of \$883,000 will allow the program to expand to the David Wade Correctional Center located in North Louisiana.

MEDICAID DRUG ISSUES

SCOFA Finding: Drug costs are a major reason that Medicaid payments are rising, but the state has few effective tools to deal with the rising cost or usage of prescription drugs. Among the proposed options to deal with the problem which were addressed by legislative action in the 2001 Regular Session were the following:

Addressing the Open Drug Formulary –

SB 502 by Schedler creates a preferred drug formulary that will allow the Department of Health and Hospital (DHH) to better manage the costs of drugs that are prescribed. It includes a prior authorization system for drugs that are not on the preferred list.

Addressing the inadequacy of Retail Pharmacy Reimbursement for Drugs –

HB 1 contains provisions that will allow DHH to increase the pharmacy reimbursement for drugs as savings are generated by the preferred drug formulary. It also provides for a 1.5% increase in the amount paid for drug ingredients.

Provide Medicaid client incentives to encourage more generic drug use –

HB 865 by Johns provides that pharmacists may substitute generic drugs for brand name unless the prescribing physician specifies in his own writing that the brand name is required.

Require DHH to activate the various boards and committees involved in setting Medicaid drug policies -

Existing boards have been reactivated as requested by HCR 55 by LeBlanc and Dewitt on behalf of SCOFA and SB 502 by Schedler also creates a new board that will guide the development of the preferred drug formulary.

SERVICES FOR MR/DD CITIZENS

SCOFA Finding: Louisiana lags behind many other states in moving to community care for its developmentally disabled citizens. Existing programs are functionally separate and scattered among several agencies.

Eligibility and coordination of MR/DD services –

HB 1 authorizes the secretary of DHH to reorganize the Office for Citizens with Developmental Disabilities, including consolidation of developmental centers.

Reallocate resources toward community-based care –

HB 1 includes almost \$40 million for expansion of home and community based services provided through the following waiver programs: Elderly/Disabled, Adult Day Health, Personal Care Attendant, and Children’s Choice. It also includes authority for the Secretary of DHH to move as many as 50 beds from state developmental centers to community ICF/MR facilities based on individual client needs. Rate increases for several providers that are important providers of community-based services are also funded.

HEALTH CARE FOR THE UNINSURED

SCOFA Finding: Louisiana’s approach to indigent care should be redirected to achieve specific policy priorities and outcomes, including reducing the number of uninsured, increasing access to community-based and primary health care, reducing excess hospital capacity, and improving the state’s low health status rankings. Options suggested included the following:

Expand Medicaid/LaCHIP eligibility to narrow the gap in health insurance coverage between children and adults-

SB 781 by Hines authorizes and HB 1 provides almost \$30 million to expand LaCHIP health care eligibility to include parents of eligible children with family incomes up to 100% of Federal Poverty Level and pregnant women with family incomes up to 200% of Federal Poverty Level. Implementation is dependent on DHH developing self-generated revenue that will sustain this eligibility for at least three years.

SB 883 by Ellington establishes a special fund and authorizes DHH to develop several financing mechanisms, the revenue from which will be dedicated to improved access to and availability of primary care for uninsured persons.

Increase or reallocate existing uncompensated care payments to non-state hospitals –

SB 883 by Ellington allows DHH to obtain from hospitals the patient-specific data necessary to re-evaluate the way that Medicaid makes uncompensated care payments.

SB 739 by Schedler moves LSU-HCSD from its status as a state agency to an off budget “business enterprise” model. After two years, the hospital system will be able to compete with other hospitals for non-Medicaid health care business, and other hospitals can compete for uncompensated care payments currently reserved for the LSU hospitals.

MENTAL HEALTH SERVICES

SCOFA Finding: Louisiana has more hospital and less community-based care than the average for the nation and should act to provide a more balanced, cost effective mix of public mental health services, including providing more effective screening and treatment of the mentally ill in the criminal justice system.

Present law requires an individual found incompetent to stand trial be committed to treatment, but provides no date certain for when the individual may be released. SB 263 by C.D. Jones requires that charges against such an individual be dismissed no later than 5 years from the date of his arrest, unless his crime was violent or he was convicted of a felony in the previous 10 years. The bill aims to curtail the practice of keeping forensic clients in treatment longer than clinically necessary. It should shorten inpatient lengths of stay and increase turnover rates for inpatient care, thereby increasing access while decreasing costs for forensic mental health services.

UNOBLIGATED TANF FUNDS

SCOFA Findings: The committee examined the expenditure of TANF Block Grant funds in the Department of Social Services (DSS) and found that a large balance of unused funds had accumulated. During the anticipated 2002 Congressional reauthorization debates, the issue of large balances of unobligated TANF funds will be closely scrutinized, and changes are certain to affect the funding levels of states such as Louisiana that have large balances. To demonstrate the state's commitment to the responsible expenditure of TANF funds, SCOFA recommended a number of options to develop new and expanded programs targeted at fostering self-sufficiency and reducing poverty.

Change expenditure of TANF funds to increase flexibility-

Administratively, the Department of Social Services (DSS) has instituted a policy to spend unobligated TANF dollars on cash assistance to increase flexibility in use of State Maintenance of Effort (MOE) funds and current TANF block grant funds.

Increase legislative oversight of TANF and child care block grant expenditures-

HB 1689 by LeBlanc on behalf of SCOFA requires submission of federal quarterly expenditure reports to the Legislature and language added in HB 1 requires DSS to report quarterly to the Joint Legislative Committee on the Budget regarding the progress of the implementation of new initiatives.

Increase education and training efforts for TANF recipients and the working poor-

A significant investment, \$27 million, was made in education and training services for adults and high school students to enhance skills and to prevent dropouts. An additional \$15 million was appropriated to provide pre-kindergarten services for at-risk four-year-olds. HB 1759 by LeBlanc, et al. on behalf of SCOFA specifies that adult basic education and literacy training are allowable work activities under TANF.

Increase funding of drug courts-

The state invested \$7.8 million in drug courts, using both State General Fund and federal TANF funds.

Enhance the ability to use Individual Development Accounts (IDAs)-

HB 1732 by LeBlanc, et al. on behalf of SCOFA expanded the allowable uses of IDAs to conform with the uses specified in federal regulations.

Change eligibility criteria to increase the number of people who can be served-

DSS has administratively broadened its eligibility criteria to include those people eligible for such services as Food Stamps, Medicaid, LaCHIP, and free or reduced school lunch.

REVENUE COLLECTIONS AND RECEIVABLES POLICY

SCOFA Finding: Due to a lack of comprehensive collections and receivables policies, the state is failing to collect revenues owed in fees, fines, penalties, and state taxes. Hundreds of millions of dollars are reported as outstanding receivables and much of that amount is uncollectible.

The legislature passed several SCOFA bills by LeBlanc and DeWitt designed to enhance collection tools available to state departments, particularly the Department of Revenue.

- HB 1172 authorizes the publication of the names of certain delinquent taxpayers.
- HB 1402 authorizes any agency of the state to file offset claims against individual income tax.
- HB 1102 makes the crime of issuing worthless checks apply to checks issued to state and local government.
- HB 1103 clarifies the meaning of “false or fraudulent return” and provides that failure to file a return interrupts prescription.
- HB 1105 extends the authority of the Department of Revenue to seek a court order for a taxpayer to cease business for failure to pay certain taxes collected on behalf of the state.
- HB 1434 which would have authorized in-state private debt collection contracts was not advanced, but that authorization was provided by SB 1104 by Bill Jones, which also designates the Attorney General as the collection contractor of first choice.
- HCR 46 requires a feasibility study of expanding the tax clearance program to persons contracting with the state and to lottery permit renewals.

Act 6 of the 2001 Extraordinary Session (HB 14 by Hammett) expanded the authority of the Department of Revenue to issue refunds of overpayments as recommended by SCOFA.

HB 1442 by LeBlanc, et al. on behalf of SCOFA establishes a collection policy and procedure for all state agencies to assist in the collection of obligations due to the state.

Also, HB 158 and HB 337 by Daniel provide additional authority to the Department of Wildlife and Fisheries to collect outstanding fines and penalties.

CHARTER SCHOOLS

SCOFA Findings: The committee suggested several revisions to charter school law to improve efficiency, control costs, and provide consistency with other school funding programs.

Require a second pupil count for Type 2 Charter Schools-

HB 1255 by LeBlanc and Dewitt on behalf of SCOFA authorizes BESE to conduct a February fifteenth pupil membership count to reflect any changes in pupil enrollment that may occur after October first of each year. The resulting allocation is applicable only from March first through the end of the school year.

Clarify requirements for refund by a charter school that closes or fails to open-

HB 1247 by LeBlanc and Dewitt on behalf of SCOFA provides that if a charter school fails to open and serve pupils or closes for any reason, the school must refund all equipment and cash on hand which can be attributed to state or local funding.

Authorize BESE to fund at a lower per pupil amount-

HB 1282 by Crane and Theunissen allows BESE to provide a per pupil amount less than specified in charter school law if requested in the school's initial charter proposal and justified in writing.

Make charter school student age requirements consistent with MFP-

HB 1282 by Crane and Theunissen requires that no child enrolled in a pre-kindergarten program offered by a charter school shall be counted for purposes of funding unless funding is specifically provided for such purpose.

TOPS

SCOFA Findings: The committee suggested several revisions to the TOPS program including changes in eligibility and requirements to maintain awards. SCOFA legislation on TOPS was incorporated into other TOPS legislation. Several major revisions in TOPS were ultimately delayed pending further legislative study of program impact.

Continuation of core curriculum waiver if courses are not available-

HB 818 by Crane contains provisions of HB 1061 by LeBlanc and Dewitt introduced on behalf of SCOFA. HB 818 extends through the 2002-2003 school year the waiver of the requirement for completion of required TOPS high school curriculum if that failure is due solely to the fact that the required course or courses were not available at the school.

MFP

SCOFA Finding: The committee found that teacher pay should be a greater priority for funding within the resources of the MFP.

The MFP resolution adopted by BESE and approved by the legislature (SCR 139), provides that all new money in FY 01-02 be used to support a \$2,060 certificated pay raise and that 50% of new money in FY 02-03, FY 03-04 and FY 04-05 be used to provide certificated pay raises.

SPECIAL TREASURY FUNDS

SCOFA Finding: More than 300 special funds are currently authorized by statute and the constitution accounting for over \$2 billion of the state budget. These dedications restrict the flexibility of the governor and legislature in addressing revenue shortfalls and budget problems. The committee reviewed these funds for each department and determined that many were no longer useful and should be repealed or revised.

HB 1641 and HB 1565 by LeBlanc, et al. on behalf of SCOFA together eliminate 49 special funds and accounts in the state treasury and revise a number of special funds in order to make better use of fund balances.

STATE/LOCAL GOVERNMENT FISCAL RESPONSIBILITIES

SCOFA Finding: Before the state can evaluate an appropriate revenue base to meet its needs, a clear delineation of fiscal responsibilities between state and local government must be established, possibly through the Louisiana Advisory Commission on Intergovernmental Relations (ACIR).

HCR 148 by LeBlanc, et al. on behalf of SCOFA calls upon ACIR to undertake the study of appropriate government services and the respective responsibilities of state and local government to provide and fund such services. HB 1063 by LeBlanc, et al. on behalf of SCOFA provides for increased legislative membership on ACIR.